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FISCAL IMPACT STATEMENT

LS 6368

BILL NUMBER: SB 135

NOTE PREPARED: Dec 15, 2011

BILL AMENDED:

SUBJECT: Homestead Assessed Value Growth Cap.

FIRST AUTHOR: Sen. Zakas

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill limits the annual increase in assessed value of a homestead to 5% unless: (1) ownership of the homestead changes during the year; or (2) the increase results from physical changes to the homestead.

Effective Date: January 1, 2013.

Explanation of State Expenditures: The Department of Local Government Finance (DLGF) would be required to adopt rules to implement this proposal.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, real property assessed values (AV) are adjusted each year. Beginning with taxes payable in 2014, this bill would limit any yearly increase in a homestead's AV to 5% unless the property has undergone a physical change.

The average increase in value for homes sold in Indiana from 2000 through 2007, before housing values fell, was about 2.5% per year. Since the average increase has been significantly below the 5% limit in this proposal, the bill would most likely only affect specific situations where a property or a group of properties experience a rapid increase in value due to external factors. It could also affect properties in fast-growing counties or all properties in a year where the overall market shows great gains. Since 1992, the average annual increase in Indiana home values has not exceeded 5%. The largest increase was 4.71%, in 1993.

If the increase in a home's AV would otherwise exceed 5%, the limitation under this bill would create a tax shift from the taxpayers at the limit to all other taxpayers through an increased tax rate.

The higher tax rate and lower assessed values would increase the exposure to the circuit breaker caps. This would cause a reduction in net tax bills and a corresponding reduction in local property tax collections. The actual impact would depend on local factors.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local assessors; Local civil taxing units and school corporations.

Information Sources: *3Q 2011 Purchase-Only Indexes for Each State*, Office of Federal Housing Enterprise Oversight, <http://www.fhfa.gov/webfiles/22775/3q11hpistspo.xls>.

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